

The Obamacare Disaster

By Peter Ferrara on 8.18.10 @ 6:10AM

Forthcoming for public release shortly will be my extensive study of the Obamacare legislation, "The Obamacare Disaster: An Appraisal of the Patient Protection and Affordable Care Act" (Heartland Policy Study No. 128, The Heartland Institute, August 2010), available shortly at the Heartland Institute [website](#). Following Nancy Pelosi's dictum that we will have to pass it first to know what's in it, I personally slogged through the thousands of pages of this legislative atrocity for the study, as well as thousands of pages of supplemental materials such as government, think tank and media reports.

The bottom line is that you will lose your health care under this legislation, if not your job, your country as they bankrupt America, and maybe ultimately your life or the life of a loved one. All that to make dreamy, emotionalized, liberals happy, even though many of them are not happy because the socialism in the bill is not overt enough. Moreover, **the promises made to the American people to pass the bill are shown in the study to be thoroughly false.** This pattern of calculated deception, however, did not fool the American people, only members of Congress, many of whom will now pay with *their* jobs as a result.

But the study is not all gloom and doom. It thoroughly explains the Patient Power reforms that should replace it when it is repealed, drawing on the broad scholarship of the Patient Power movement and its intellectual leaders, such as John Goodman, Grace Marie Turner, Sally Pipes, Merrill Mathews, and Greg Scandlen, among others. It consequently serves as a guidebook for the grassroots Tea Party activists who will lead the long-term crusade for Health Care Liberation.

The Government Takeover of Health Care

Contrary to President Obama's rhetoric, the Obamacare legislation involves precisely the thorough government takeover of health care. **It creates 159 new bureaucracies, agencies, boards, commissions, and programs to rule over health care in America. Government authorities are empowered to tell doctors and hospitals what is quality health care and what is not, what are best practices in medicine, how their medical practices should be structured, and what they will be paid and when.** Government authorities will mandate exactly what health insurance with what benefits workers and employers must buy, and the Act imposes tax penalties on them if they do not comply. Government authorities will dictate to insurance companies exactly what health insurance they must sell, to whom they must sell it, and what they can charge. Obamacare even redistributes premium income among insurers under a new "risk adjustment" mechanism.

But this is just the beginning. As in everything President Obama is doing, it lays the groundwork for much more thorough government control and compulsion over time, primarily through bureaucratic landmines involving grants of regulatory authority that

will explode when the bureaucracy thinks it can get away with it politically. Among the biggest targets here will be doctors and hospitals, which over time will become complete vassals of the regulatory, bureaucratic state Obamacare establishes.

Higher Health Care Costs

President Obama promised while campaigning for his health reform legislation that it would reduce the "growth of health care costs for our families, our businesses, and our government," in particular by reducing the cost of health insurance by \$2,500 per family. But the Obamacare legislation will have just the opposite effect, sharply increasing health costs for families, businesses, and government.

Higher costs for government start with the expansion of the Medicaid entitlement, which was already slated to cost \$5 trillion over the next 10 years. The Centers for Medicare and Medicaid Services estimates that Obamacare will increase Medicaid enrollment by 24 million new beneficiaries by 2015, adding an additional \$410 billion in further federal costs for the program over the next decade alone.

Obamacare increases costs for the federal government further by adopting a massive new health insurance entitlement program for families earning up to four times the poverty level. In 2014, this new program will be providing \$3,000 in taxpayer funds to families making \$95,000. By 2018, almost \$5,000 will be going to families making \$102,000. CBO estimates that these subsidies will cost taxpayers an additional \$457 billion over the first six years alone, through 2019. The Chief Actuary of Medicare estimates the total cost of this new entitlement will reach over \$500 billion over the first six years. This is only the beginning, as this program will ultimately cost far more than now projected.

This is a massive increase in welfare extended to middle and upper-income families, irresponsibly added on top of the runaway, financially intractable entitlement promises we have already made. But Obamacare then adds a third new entitlement program, for long term nursing home care.

For the rest of us, Obamacare will sharply increase insurance costs. That starts with the mandates forcing everyone into comprehensive insurance coverage specified by the government, which will maximize the incentives for overconsumption of health care, to be paid for through the insurance. Then there are all of President Obama's free new benefits now mandated, such as coverage for alcohol and drug abuse rehab, mental health services, preventive care, maternity benefits for single males and postmenopausal adults, and the elimination of all lifetime limits and caps. Free mandatory benefits raise health insurance costs.

Additional regulatory burdens will further increase costs. The guaranteed issue requirements force insurers to issue new policies to anyone who applies regardless of how sick they are, and the community rating requirements prohibit charging them more because of their illnesses. These requirements, which are just like forcing fire insurers to

issue new policies to applicants whose houses are already on fire when they call, at regular rates, raise the costs of health insurance sharply for everyone else.

Two new taxes on health insurance, the Cadillac tax for supposedly high value insurance that will apply to more and more plans every year, and another tax on all health insurance from the start, will add nearly \$100 billion to health insurance costs over the next 10 years alone. Then there will be sharply increased cost shifting to private health insurance due to the massive expansion of Medicaid to 24 million more people, and the more than massive Medicare cuts discussed below, as doctors and hospitals try to recoup their enormous losses by charging more to privately insured patients.

Counting just some of these cost increases, one study concludes that under Obamacare a typical family health insurance policy costing \$12,300 today will cost \$17,200 by 2013, \$21,300 by 2016, and \$25,900 by 2019. Another study concludes that insurance costs for young (up to 40) and healthy workers will double and triple in many cases.

These cost increases have already begun. But expect the liberal/left to insist that the soaring insurance costs caused by Obamacare prove that the public option, or even more overt socialized medicine, was needed after all. They will seek to prohibit the necessary premium increases, as in Massachusetts, and will be glad if that forces private insurers out of business.

Death Panels

While the liberal/left hides behind literal clowns mocking Sarah Palin for raising the issue of death panels under Obamacare, the legislation as passed documents the essential reality of the charge.

The recently released Annual Report of the Medicare Board of Trustees reveals that the Medicare payment rates for the doctors and hospitals serving seniors will be cut by 30% over the next 3 years. By 2019, those Medicare payment rates will be lower than under Medicaid. The Chief Actuary for Medicare reports that ultimately under Obamacare Medicare payment rates will be only one third of what will be paid by private insurance and only half of what is paid by Medicaid, where the poor often can't find access to essential care.

Still further Medicare cuts adopted in the Obamacare legislation add up altogether to \$818 billion over the first 10 years of full implementation, 2014-2023, and \$3.223 trillion over the first 20 years, 2014-2033, *for Medicare Part A (HI) alone!* Adding in the cuts for Medicare Part B brings the total to \$1.048 trillion over the first 10 full years, and \$4.95 trillion over the first 20 full years. Eventually, as documented in the government's own reports, Medicare Part A is cut by 60% per year, Part B by 43%!

These draconian cuts for doctors and hospitals providing the health care to seniors under Medicare were the basis for the CBO score repeatedly cited by President Obama that Obamacare would actually reduce the deficit while expanding or adopting three entitlement programs. This doesn't even include the further cuts to Medicare

Advantage, the private alternative to Medicare which nearly 25% of seniors have chosen for their Medicare coverage because it gives them a better deal, and the further automatic Medicare cuts to be adopted by the unelected, appointed, bureaucrats at the Medicare Independent Payment Advisory Board under Obamacare.

Such draconian Medicare cuts would create havoc and chaos in health care for seniors. Doctors, hospitals, surgeons and specialists providing critical care to the elderly such as surgery for hip and knee replacements, sophisticated diagnostics through MRIs and CT scans, and even treatment for cancer and heart disease will shut down and disappear in much of the country, and others will stop serving Medicare patients. If the government is not going to pay, then seniors are not going to get the health services, treatment and care they expect. Indeed, the Medicare Chief Actuary reports that even before these cuts already two-thirds of hospitals were losing money on Medicare patients. Health providers will either have to withdraw from serving Medicare patients, or eventually go into bankruptcy.

Apparently, President Obama's concept of spreading the wealth includes sacking the Medicare system on which America's seniors have come to rely for highly beneficial medical care, in favor of others who the Obama/Pelosi/Reid progressive vision deems more worthy.

As the government clamps down on private insurers as well as on payments from Medicare and Medicaid, the incentives for essential investment to maintain current facilities, expand and open new ones, and invest in and build out new innovations and breakthroughs, will be eviscerated. Investment in human capital as well as physical capital in health care will plummet, as doctors and other professionals increasingly flee health care. This effective decline in the supply of health care in the face of increasing demand will mean even higher prices and costs.

The study further explains how several provisions of Obamacare give insurers, doctors, and hospitals incentives to deny and ration health care to patients. A central component of the traditional high standard of living in America has been the best, most advanced, cutting edge health care in the world. No more. Obamacare is part of the declining standard of living for America.

America's Coming Bankruptcy

When he was campaigning for Obamacare, President Obama insisted on national television that the mandate to buy insurance was not a tax. Now that it has passed, his lawyers are in court arguing that it is constitutional because it is a tax.

The mandate to buy insurance is economically, though not legally, indistinguishable from a tax. Even with the budget-crushing new entitlement subsidies in the Act, the insurance will be quite expensive, ranging up to 2 percent of income for people at 133 percent of poverty to 9.8 percent of income for people at 400 percent of poverty. That is like a new payroll tax, breaking two Obama pledges, since it applies just as well to those making less than \$250,000 a year.

The study recounts at least 13 tax increases in Obamacare, adding up to at least \$500 billion over the first 10 years, not counting the mandates. But that won't begin to cover all of the spending involved in Obamacare, adding up to more than \$2.4 trillion over the first 10 years of full implementation, from 2014 to 2024, and \$5.3 trillion over the first 15 full years.

That will further explode the deficit and national debt by at least \$2 to \$3 trillion over the next 20 years. A major fallacy of the CBO score of Obamacare is that it assumes that only 19 million workers will qualify for the new Obamacare health insurance subsidies described above. In fact, as former CBO Chief Douglas Holtz-Eakin explains, under the incentives Obamacare provides employers to dump their health coverage, at least 43 million are likely to qualify. It could be 2 to 3 times as many, exploding original cost projections beyond imagination. The study explains other factors that will cause higher Obamacare spending and deficits. This would only follow the Medicare precedent, which was originally projected in 1965 to cost \$12 trillion by 1990. But when 1990 came, it cost \$109.7 billion, 9 times greater.

Patient Power v. Government Power

America does need to ensure that it maintains a health care safety net assuring that no one suffers due to lack of essential health care. But that can be accomplished without any of the big-government components of Obamacare. Indeed, done right, it can be accomplished while expanding the power and control of workers and patients over their own health care and actually reducing rather than enlarging government's role in health care.

That would begin by repealing all 159 new bureaucracies, agencies, boards, commissions and programs created by Obamacare, and the rest of the legislative atrocity, reducing taxes and spending by the amounts described above, and the federal deficits and debt by at least \$2 to \$3 trillion over the next 20 years.

The next step would be to block grant Medicaid back to the states following the model of the hugely successful 1996 reforms of the old AFDC program. That would greatly benefit the poor, freeing them from the Medicaid ghetto to enjoy the same health insurance as the middle class. That would include the choice of Health Savings Accounts (HSAs), maximizing patient power and control, and market incentives to control costs. Medicare should be reformed to empower all seniors with a Medicare Advantage choice, including the highly beneficial HSAs.

A true health care safety net ensuring essential health care for all can be achieved with state high risk pools, and consumer choice tax credits, ensuring affordability and access to health insurance for everyone. The study explains as well market consumer protection laws prohibiting insurance company fraud, and deregulation enabling a national market competition to truly control costs.

Because of all of the problems created by Obamacare, the misshapen legislation is just the beginning, not the end, of the battle to reform health care policy in America.

Obamacare is so fundamentally wrong-headed that it takes us in the opposite direction of the essential reforms that are needed. Perhaps such a disastrously wrong step was necessary to draw the public's attention to the true patient power reforms that would liberate health care in America.

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